

Meeting: IPSASB Consultative Advisory Group
Meeting Location: Toronto, Canada
Meeting Date: June 20, 2016
From: John Stanford

Agenda Item 8

For:
 Approval
 Discussion
 Information

TECHNICAL DIRECTOR'S REPORT ON WORK PLAN

Overall Work Plan Goals and Approach: Responding to Advice for Enhanced Information, and Reflecting on Priorities

1. Over the next two years, the IPSASB aims to approve six new or substantially revised IPSASs. By the end of 2019 the Work Plan projects that about 15 new/substantially revised IPSASs will have been issued. Delivery of this Work Plan will strengthen the scope, relevance and clarity of IPSASB's literature, in particular by providing requirements and guidance on the key issue of Social Benefits.
2. The Work Plan provides details of project development through the first half of 2020, providing stakeholders with a view of the Board's targets and information on when changes to existing IPSASs will be made.
3. The Work Plan is very ambitious, and includes a number of interdependent projects. These linkages are identified in the second column of the Work Plan. In light of this and the importance stakeholders have attached to the topics on the Work Plan, in the view of the Chair and Technical Director the focus in 2016 and 2017 should be to "stay the course" and to progress the current items in the Work Plan on a timely basis.
4. Dependent on progress on key projects, the IPSASB is likely to consider beginning a review of its Strategy and Work Plan in the second half of 2017.

Progress on Current Projects

Social Benefits

5. The IPSASB issued the Consultation Paper, *Accounting for Social Benefits*, in July 2015 on a six month exposure ending in January 2016. At its March meeting, the IPSASB carried out an initial review of responses focusing on scope. The IPSASB will further consider scope at the June meeting and will discuss definitions and measurement. An ED is planned for June 2017, although timing is dependent on whether the IPSASB decides to propose one or two options for recognition and measurement and the level of detail on any second option.

Public Sector Combinations

6. ED 60, *Public Sector Combinations*, was approved at the December 2015 IPSASB meeting and published in January 2016. The consultation period ends on June 30th, 2016 with a first review of

responses planned for the September 2016 IPSASB meeting. ED 60 responds to the views of respondents to a 2012 Consultation Paper that acquisition accounting involving fair value measurement is inappropriate for many combinations of operations in the public sector.

Public Sector Specific Financial Instruments

7. This project aims to develop requirements and guidance for a number of public sector specific "financial instruments". These items have many of the characteristics of financial instruments as defined in IPSAS 28, *Financial Instruments: Presentation*, (and also International Financial Reporting Standards (IFRS)), but are non-contractual in nature. Such items include monetary gold, currency in circulation and IMF-related transactions– special drawing rights and quota subscriptions. In many jurisdictions these items are the responsibility of central banks or monetary authorities. A Consultation Paper is planned for approval in June 2016.

Update to IPSAS 28-30, Financial Instruments; Presentation, Recognition and Measurement and Disclosure

8. The IPSASB approved a project brief at its December 2015 meeting. The project's objective is to update the three IPSASs on financial instruments which are based on IFRS as at December 31st 2008. The project will also address large scale securitizations of sovereign rights and taxation powers. Such transactions are arguably within the scope of IPSAS 29, *Financial Instruments: Recognition and Measurement*, but can have particular public sector characteristics and very significant financial consequences in the public sector. An education session will be held in June 2016. The aim is to approve an ED of proposed changes to IPSAS 28-30 in December 2016.

Review of Cash Basis IPSAS

9. The IPSAS, *Reporting under the Cash Basis of Accounting*, is the only IPSASB pronouncement that deals with the cash basis of accounting. Responding to comments made to the draft Strategy and Work Plan consultation in 2014 that the IPSASB should retain the Cash Basis IPSAS in its literature, the IPSASB initiated a limited scope project in 2015. This deals with consolidation and disclosures of external assistance and third party payments, which are the main issues that constituents have raised as impediments to adoption. The IPSASB also clarified that the Cash Basis IPSAS is a stepping stone en route to adoption of accrual-basis IPSAS and not an end in itself. The IPSASB issued ED 61, *Amendments to Financial Reporting under the Cash Basis of Accounting*, in February 2016 on a six-month consultation. An initial review of responses is planned for December 2016.

Amendments to IPSAS 25, Employee Benefits

10. The objective of this project is to maintain alignment with IAS 19, *Employee Benefits*, by picking up recent amendments to IAS 19. An ED of proposed changes to IPSAS 25, *Employee Benefits*, was issued in January 2016 with a consultation period ending on April 30th 2016. The proposed changes notably include elimination of the corridor approach for dealing with actuarial gains and losses and adoption of the net interest approach. The IPSASB will review responses at the June 2016 meeting. Staff propose to issue a new standard, rather than a revised IPSAS 25. Therefore the IPSASB will also consider approval of IPSAS 39, *Employee Benefits*, at the June meeting.

Revenue

11. This project examines the extent to which a performance obligation approach can be applied in the public sector. The project responds to IFRS 15, *Revenue from Contracts with Customers*. The project is also considering implementation issues related to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. The project is likely to lead to the replacement of IPSAS 9, *Revenue from Exchange Transactions*, and IPSAS 11, *Construction Contracts*, and significant amendment to IPSAS 23. A Consultation Paper also covering Non-Exchange Expenses (see below) is planned for approval in December 2016.

Non-Exchange Expenses

12. The aim of the project is to develop a standard(s) that provides recognition and measurement requirements for non-exchange expenses transactions, except for social benefits. A joint consultation paper covering Revenue (see above) is planned for December 2016.

Heritage

13. IPSAS 17, *Property, Plant and Equipment*, allows, but does not require, an entity to recognize heritage assets that meet the definition of property, plant and equipment. The project aims to develop accounting and disclosure requirements for heritage assets of both a tangible and intangible nature with a view to amending IPSAS 17 or issuing a new IPSAS.

IPSAS 21 and 26: Scope Exclusion of Assets on Revaluation Model

14. ED 57, *Impairment of Revalued Assets*, proposed bringing property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21, *Impairment of Cash-Generating Assets* and IPSAS 26, *Impairment of Non-Cash Generating Assets*. A review of responses was carried out at the March 2016 meeting. The IPSASB decided to proceed with the proposals in ED 57. Final draft amendments are scheduled for IPSASB approval at the June 2016 meeting.

Leases

15. This project responds to IFRS 16, *Leases*, issued in January 2016. The project will result in either amendments to the current standard on leases, *IPSAS 13, Leases* or a new Standard. A project brief was initially considered at the March 2016 IPSASB meeting. At that meeting the IPSASB directed staff to develop options for dealing with sale and leaseback transactions and to specifically address the issue of “peppercorn leases”—that is leases at nominal and/or subsidized terms.

Emissions Trading Schemes

16. This was established as a collaborative project with the International Accounting Standards Board (IASB), which has a project on *Pollutant Pricing Mechanisms (PPM)*. IPSASB is focusing on accounting by the administrator of emissions trading schemes. The IASB's focus is accounting by recipients of allowances/permits. The IASB is now linking its project to development of its Conceptual Framework. Following the IASB's agenda consultation PPM is on the IASB's pipeline rather than its active research agenda. Therefore the IASB is unlikely to further develop its project in the near-term, At the March 2016 meeting the IPSASB decided to pause the project. A Staff Background paper will

be issued in the third quarter of 2016, but no further detailed work will be undertaken prior to the IASB restarting work on PPM.

IPSASB Handbook

17. The IPSASB intends to publish the 2016 edition of its *Handbook of Pronouncements* in June 2016 in both electronic and print formats.

Committed Projects that Have Not Yet Started

Infrastructure Assets

18. Currently IPSAS 17 includes guidance on infrastructure assets, and identifies some high level characteristics. However, IPSAS 17 does not provide specific accounting or disclosure requirements for infrastructure assets. This project will develop requirements and guidance for infrastructure assets with a view to amending IPSAS 17. The IPSASB approved a project brief in June 2015 and an initial Discussion of Issues is scheduled for September 2016. Final amendments to IPSAS 17 are projected for the second half of 2019.

Public Sector Measurement

19. This is a multi-disciplinary project which stems from the Conceptual Framework. A project brief was approved in June 2015. The first phase involves compilation of an inventory of measurement requirements, an assessment of the extent to which they are inconsistent with guidance in the Conceptual Framework and how amendments should be prioritized. The second phase will consider the extent to which implementation guidance is necessary and will seek to develop such guidance, using a range of professional disciplines.

Recently Completed Projects/Amendments to IPSAS

Improvements

20. *Improvements* is an ongoing biennial project that deals with minor issues that are not of a significant technical nature. It was expanded in 2015 to include minor changes arising from the Conceptual Framework, general improvements and improvements designed to reduce differences with Government Finance Statistics in addition to changes arising from IFRS improvements. The IPSASB approved [Improvements to IPSAS 2015](#) at its March 2016 meeting and these amendments were published in April 2016.

The Applicability of IPSASs

21. [The Applicability of IPSASs](#) was approved in March 2016 and issued in April 2016. It represents an important change to the way in which the IPSASB communicates the entities for which it is designing IPSASs and Recommended Practice Guidelines (RPGs). Until now, IPSASs and RPGs have included a definition of a Government Business Enterprise (GBE) and a statement that GBEs apply IFRS. The definition of a GBE has proved ambiguous in places and difficult for preparers to interpret. The IPSASB has therefore responded to preparers' concerns by introducing a higher level approach that:
 - Deletes the defined term "GBE" in IPSAS 1, *Presentation of Financial Statements* and related guidance;

- Replaces “GBE” with the term “commercial public sector entity”, which is not formally defined; and
 - Provides the characteristics of public sector entities for which IPSAS are designed based on the IPSASB’s Conceptual Framework in the *Preface to International Public Sector Accounting Standards*.
22. In addition to being less complex the new approach recognizes the role of regulators in determining financial reporting requirements in their jurisdictions.

Further Information

23. The Technical Director’s Report on the Work Plan, included in the agenda papers for the IPSASB’s June 2016 meeting is attached at Appendix A.

Meeting: International Public Sector Accounting Standards Board
Meeting Location: Toronto, Canada
Meeting Date: June 21–24, 2016

Agenda Item 3

For:
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Technical Director’s Report on the Work Plan

Objective of Agenda Item

1. To receive the Technical Director’s verbal report on the work plan
2. To discuss the work plan on Day One of the meeting and to reconsider the work plan in the light of developments at the meeting on Day Four.

Material(s) Presented

Agenda Item 3.1 IPSASB Work Plan: June 2016

Summary of Changes since March 2016 Meeting

3. Changes to the work plan presented at the March 2016 meeting are as follows:
 - a. As agreed at the March meeting, the IPSASB intends to approve the *Public Sector Specific Financial Instruments* Consultation Paper at this meeting. This will allow an IPSAS to be issued in December 2018 (previously the second half of 2019).
 - b. Due to the issues identified in preparing the Agenda papers for this meeting, it is now proposed that the Exposure Draft on *Leases* will be approved in March 2017 (previously September 2016). As a result, it is anticipated that the IPSAS on *Leases* will be approved in June 2018 (previously December 2017).
 - c. Due to the issues identified in preparing the Agenda papers for this meeting, it is now proposed that the Consultation Paper on *Revenue and Non-exchange Expenses* will be approved in December 2016 (previously September 2016). It is still anticipated that IPSASs on these projects will be approved in the second half of 2019.
 - d. Due to the nature of the responses received, it is proposed that the final pronouncement Amendments to IPSAS 25, *Employee Benefits*, will be approved at this meeting (previously September 2016).
 - e. The work plan has been updated to confirm that an IPSAS on Heritage is planned to be issued in the second half of 2019 (not previously shown in the work plan).
4. These changes are highlighted in Agenda Item 3.1.

Agenda Item 3.1

June 2016

IPSASB WORK PLAN 2016-2020

Project/ Initiative	Links	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	H1 2019	H2 2019	H1 2020
A Public Sector Combinations <i>(ED issued in Jan 2016)</i>			DI/RR	DI/RR	IP										
B Update to IPSASs 28–30, Financial Instruments	C	DI	DI/ED	ED			DI/RR	DI	IP						
C Public Sector Specific Financial Instruments	B, E, F	CP ^a			DI/RR	DI/RR	DI/ED	DI/ED			DI/RR	DI/IP			
D Leases	E	DI	DI	DI/ED	DI/ED ^b			DI/RR	DI/RR	DI/IP					
E Revenue ¹	C, D, F, G	DI	DI	CP ^a			DI/RR	DI	DI	ED			RR/DI	DI/IP	
F Non-Exchange Expenses	C, D, E, G	DI	DI	CP ^a			DI/RR ^c	DI	DI	ED			RR/DI	DI/IP	
G Social Benefits <i>(CP issued in July 2015)</i>	E, F, H	DI/RR	DI	DI/ED	DI/ED	ED ^{c,d}			DI/RR	DI	IP				
H Amendments to IPSAS 25, Employee Benefits <i>(ED issued in Jan 2016)</i>	G	DI/IP ^d													

¹ Comprehensive project covering both exchange and non-exchange revenues.

IPSASB Work Plan 2016-2020
IPSASB Meeting (June 2016)

Project/ Initiative	Links	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	H1 2019	H2 2019	H1 2020
I Public Sector Measurement	J, K, L		DI	DI	DI	CP ^e			RR	RR	ED		RR	IP ^f	
J Infrastructure Assets	I		DI	DI	CP			RR	RR	DI/RR	ED		RR	IP ^f	
K Heritage	I	DI	DI/CP	CP			DI/RR	DI/RR	DI/ED	ED			DI/RR	DI/IP ^f	
L IPSAS 21 & 26: Scope Exclusion of Assets on Revaluation Model (ED issued in October 2015)	I	IP ^f													
M Improvements ²						DI/ED		RR/IP					DI/ED	RR/IP	
N Review of Cash Basis IPSAS (ED issued in Feb.2016)				DI/RR	DI/IP	IP									
O Emissions Trading Schemes ³	B ^g	SB	Project Paused												
P IPSASB Handbook		Publish				Publish				Publish			Publish		

Key: IP = Final Standard or Amendments to IPSAS(s); RP = Final Recommended Practice Guidance; ED = Approval of Exposure Draft; PB = Project Brief; DI = Discussion of Issues; RR = Review Responses; CP = Consultation Paper; CG = Consultative Advisory Group Meeting; SB=Staff Background Paper

² The improvements project is an ongoing biennial project that includes: (i) consequential amendments arising from the completion of the Conceptual Framework; (ii) general improvements to IFRS; (iii) changes intended to eliminate or narrow differences with statistical accounting; and (iv) consequential amendments arising from changes to IFRS.

³ The initial phase of this project is a joint research project with the IASB. A decision to pause the project was made at the March 2016 meeting.

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- a The IPSASB agreed that statutory receivables and statutory payables would be addressed in the Revenues and Non-Exchange Expenses projects respectively, rather than in the Public Sector Financial Instruments project.
 - b IFRS 16, *Leases*, applies IFRS 15, *Revenue from Customers*, for sale and leaseback transactions. As the IPSASB's Leases project is currently scheduled to be completed before its Revenues project, the IPSASB is considering this relationship at the June 2-16 meeting.
 - c Because the Non-Exchange Expenses and Social Benefits projects cover transactions that have a similar economic substance, the IPSASB has agreed that a degree of alignment between the projects will be necessary. Consequently, the IPSASB will review the responses to the combined Revenue and Non-Exchange Expenses Consultation Paper to ascertain whether any issues have been identified that would require amendments to the Social Benefits project prior to considering the Social Benefits ED for approval.
 - d The Social Benefits ED will need to clarify the boundary with the output of the Employee Benefits project.
 - e Following the issuance of the amendments to IPSASs 21 and 26 as a result of the Impairment of Assets on the Revaluation Model project, further consideration of issues such as the unit of account will be considered as part of the Public Sector Measurement project.
 - f The outcomes of the Infrastructure Assets and Heritage Assets projects will need to be consistent with the outcomes of the Public Sector Measurement project.

The timeline for projects in yellow background has been modified since the version presented to the March 2016 IPSASB meeting.